

## Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 SSO-00 NSCE-00 INRE-00 USIE-00 FEA-01

ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00

EB-07 FPC-01 H-02 INR-07 INT-05 L-03 NSAE-00 NSC-05

OMB-01 PM-04 SAM-01 OES-06 SP-02 SS-15 STR-04 TRSE-00

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O 290840Z APR 76

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC IMMEDIATE 4140

C O N F I D E N T I A L JAKARTA 5647

E.O. 11652: GDS

TAGS: ENRG, EIV, ID

SUBJECT: USG TAXATION OF INCOME FROM OVERSEAS OPERATIONS OF  
U.S. OIL COMPANIES

REFS: (A) JAKARTA 5389, (B) STATE 101662, (C) STATE 100998

1. EMBASSY HAS BRIEFED PERTAMINA AND MIGAS OFFICIALS PLUS SELECTED COMPANIES ON MAIN POINTS CONTAINED REF B. IN ADDITION TO GOI'S WASHINGTON LEGAL ADVISOR, MINESMIN SADLI WISHES TO SEND H.A. GOZALI (SECRETARY TO PERTAMINA BOARD OF COMMISSIONERS) TO WASHINGTON FOR PARTICIPATION IN IRS DISCUSSIONS WITH COMPANIES. GOZALI HAS EXTENSIVE EXPERIENCE IN PRODUCTION-SHARING CONTRACT NEGOTIATIONS. ACTION REQUESTED: PLEASE ADVISE ON TIMING OF IRD CONSULTATIONS WITH COMPANIES SO WE CAN INFORM MINISTER SADLI. WE ANTICIPATE AMBASSADOR RUSMIN WILL BE IN TOUCH WITH DEPARTMENT ABOUT THIS ALSO.

2. DURING PAST FEW DAYS, GOI EFFORTS TO TAKE ACTION ON IRS MATTER HAVE GATHERED CONSIDERABLE MOMENTUM. EFFORTS APPEAR TO BE PROCEEDING ON TWO LEVELS: TECHNICAL AND DIPLOMATIC. ON TECHNICAL LEVEL, PERTAMINA CHIEF HARYONO HAS BEEN IN CONTACT WITH COMPANIES  
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ABOUT POSSIBLE COORDINATED APPROACH WITH HOME OFFICE LEGAL STAFFS.

MOBILE HAS OFFERED PLACE SERVICES OF THEIR SENIOR TAX COUNSEL AT PERTAMINA/GOI'S DISPOSAL.

3. ON OTHER LEVEL, GOI FEELS MATTER IS SO IMPORTANT THAT SOME FORM OF "GOVERNMENT-TO-GOVERNMENT" APPROACH WILL BE NECESSARY.

4. EMBASSY HAS JUST RECEIVED COPY OF CABLE SENT TO SECRETARY SIMON BY MINFIN ALI WARDHANA ON APRIL 28. MESSAGE STATES, INTER ALIA, "THE IMPLEMENTATION OF THESE RULINGS ESPECIALLY IF IT IS RETRO-ACTIVE WOULD HAVE SERIOUS CONSEQUENCES FOR MANY U.S. COMPANIES THAT HAVE INVESTED NOT ONLY IN INDONESIA BUT ALSO IN OTHER COUNTRIES WHERE THE PRODUCTION-SHARING CONCEPT IS USED. AS RELEASED OF THE IRS RULINGS HAVE ALREADY CREATED AN ATMOSPHERE OF UNCERTAINTY IN THE OIL BUSINESS IN INDONESIA, I THEREFORE WOULD URGENTLY REQUEST YOUR INTERVENTION TO FAVORABLY RECONSIDER THESE RULINGS."

5. GOI DIRECTORATE OF TAXATION ALSO NOW ACTIVELY INVOLVED IN IRS MATTER. OFFICIAL IN MINFIN TAXATION DIRECTORATE GENERAL TOLD EMBASSY THAT GOI WOULD BE WILLING TO MAKE "WHATEVER CHANGES NECESSARY" IN LANGUAGE OF AGREEMENTS" IN ORDER TO MAKE U.S. COMPANY PAYMENTS CREDITABLE AGAINST U.S. TAXES. HE INDICATED THERE HAS BEEN SOME CONSULTATION WITH LOCAL COMPANIES ABOUT HOW THIS COULD BE DONE. NO PARLIAMENTARY ACTION HAS YET BEEN UNDERTAKEN, OFFICIAL ADDED.

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** PETROLEUM INDUSTRY, PRODUCTION, PROFIT SHARING, CONTRACTS, INCOME TAXES  
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**Copy:** SINGLE  
**Draft Date:** 29 APR 1976  
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**Disposition Approved on Date:**  
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**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
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**Disposition Reason:**  
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**TAGS:** ENRG, EINV, ID, US, IRS, PERTAMINA  
**To:** STATE  
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